

Message Text

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12

ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 /110 W

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R 030814Z FEB 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 2079

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

AMCONSUL ZURICH

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DEPT PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: JAN 25-31

SUMMARY: THE DOLLAR WAS RELATIVELY STABLE AGAINST THE
SF IN QUIET TRADING THIS WEEK. THE DOMESTIC FINANCIAL
MARKETS CONTINUE TO BE VERY LIQUID AND THE DEMAND FOR
BONDS I HIGH DESPITE LOW INTEREST RATES. THE COMBINED
1976 BUDGETS FOR THE CANTONS CALL FOR A 31 PERCENT INCREASE
IN THE OVERALL DEFICIT. THE NUMBER OF WORKERS
ON SHORT TIME ROSE AGAIN IN DECEMBER. RETAIL SALES
IN 1975 WERE WELL BELOW THE LEVEL OF 1974 IN BOTH VALUE
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AND VOLUME. IN ITS 6TH ANNUAL REPORT ON FOREIGN ECONOMIC

POLICY, THE FEDERAL COUNCIL PROMISED TO DEFEND SWISS INTERESTS IN INTERNATIONAL NEGOTIATIONS TO DEVELOP A NEW WORLD ECONOMIC SYSTEM.

FINANCIAL

1. FOREIGN EXCHANGE AND GOLD: THE ZURICH FOREIGN EXCHANGE MARKET WAS RELATIVELY QUIET THIS WEEK; THE SPOT DOLLAR REGISTERED ONLY MINOR FLUCTUATIONS AROUND SF 2.60, WHILE THE D MARK STRENGTHENED SLIGHTLY AGAINST THE SF. GOLD TRADING WAS SOMEWHAT MORE ACTIVE THAN FOREIGN EXCHANGE AND PRICES RECORDED FLUCTUATIONS OF AS MUCH AS \$3.00 PER OUNCE IN ONE DAY. RATES AS FOLLOWS:

	1/26(OPEN)	1/30(CLOSE)
SPOT DOLLAR	SF 2.6040	SF 2.5985
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	- 4.6	- 4.2
2 MONTHS	- 4.6	- 4.2
3 MONTHS	- 4.2	- 4.2
6 MONTHS	- 3.7	- 3.7
12 MONTHS	- 3.4	- 3.4
SF/DM	SF 99.98	SF 100.34
GOLD	\$128.50	\$127.75

2. FOREIGN EXCHANGE CONTROLS: ACCORDING TO PRESS REPORTS QUOTING A "RELIABLE SOURCE," THE SWISS NATIONAL BANK (SNB) IS PRESENTLY CONSULTING WITH THE MAJOR SWISS COMMERCIAL BANKS ABOUT THE POSSIBILITY OF CONCLUDING A "GENTLEMEN'S AGREEMENT" APPLICABLE TO THE FOREIGN EXCHANGE TRANSACTIONS OF THE COMMERCIAL BANKS' FOREIGN BRANCHES. REPORTEDLY, THE AGREEMENT WOULD PROVIDE FOR CERTAIN REPORTING REQUIREMENTS ON FOREIGN EXCHANGE TRANSACTIONS OUTSIDE OF SWITZERLAND AND WOULD ALLOW THE SNB LIMITED CONTROL OVER SUCH TRANSACTIONS. PRESS REPORTS ALSO INDICATE THAT THE SNB IS STUDYING THE POSSIBLE ESTABLISHMENT OF AN OFFICIAL FOREIGN EXCHANGE MARKET SIMILAR TO FRANKFURT'S. A DECISION ON SUCH AN OFFICIAL MARKET IS EXPECTED THIS SPRING.

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3. MONEY AND CAPITAL MARKETS: BOTH MARKETS ARE STILL VERY LIQUID, AND THE CALL MONEY RATE REMAINED AT 0.25 PERCENT THROUGHOUT THE WEEK. THE MAJOR BANKS HAVE AGAIN CUT THE INTEREST RATES ON THEIR BONDS; THE RETURN ON BANK BONDS WITH 3-4 YEAR MATURITIES WAS REDUCED FROM 5.0 TO 4.75 PERCENT, 5-6 YEAR BONDS FROM 5.5 TO 5.0 PERCENT, AND 7-8 YEAR BONDS FROM 5.5 TO 5.25 PERCENT. IN ADDITION TO THE SF 700 MILLION PUBLIC

BOND ISSUE REPORTED LAST WEEK (BERN 416), THE CONFEDERATION HAS RAISED AN ADDITIONAL SF 500 MILLION THROUGH PLACEMENT OF FIVE-YEAR BEARER CERTIFICATES WITH THE FOUR LARGEST BANKS. THESE CERTIFICATES BEAR INTEREST AT 5.5 PERCENT AND WERE PRICED AT 99.25 PERCENT OF PAR. THE MEDIAN YIELD ON OUTSTANDING CONFEDERATION BONDS DECLINED FROM 5.38 PERCENT ON JANUARY 23 TO 5.21 PERCENT ON JAN 26 THEN ROSE TO 5.40 PERCENT ON JAN 30. THE SWISS STOCK EXCHANGES WERE CHARACTERIZED BY WEAKER TURNOVER AND MIXED PRICES. THE SKA INDEX OF AVERAGE PRICES WAS 204.1 (END 1959 EQUALS 100) ON JAN 30.

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SIL-01 /104 W
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TO SECSTATE WASHDC 2080
INFO AMEMBASSY BONN
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DEPT PASS TREASURY AND FRB

4. CANTONAL FINANCES: THE COMBINED 1976 BUDGET ESTIMATES

FOR SWITZERLAND'S 25 CANTONS AND HALF CANTONS PROVIDE
FOR REVENUES TOTALING SF 19.2 BILLION AND EXPENDITURES
OF SF 20.8 BILLION. THE OVERALL DEFICIT OF SF 1.6 BILLION
IS APPROX SF 500 MILLION GREATER THAN THE COMBINED
DEFICIT BUDGETED FOR 1975.

ECONOMIC

5. EMPLOYMENT: ACCORDING TO GOVT STATISTICS, THE
NUMBER OF PERSONS WORKING SHORT TIME ROSE FROM 117,577
TO 136,661 BETWEEN NOV AND DEC. THE DEC FIGURE REPRESENTS
ABOUT 4.6 PERCENT OF THE TOTAL LABOR FORCE.
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6. RETAIL TRADE: ON THE AVERAGE, RETAIL SALES IN 1975
WERE 3.2 PERCENT LZQS THAN IN 1974 IN TERMS OF VALUE
AND DOWN 8.1 PERCENT INVOLUME.

7. ANTI-RECESSION PROGRAM. THE FEDERAL COUNCIL HAS
FORMALLY APPROVED ITS LATEST ANTI-RECESSION PROGRAM (SEE
BERN 267), THE FULL DETAILS OF WHICH WILL BE MADE PUBLIC ON
FEB 9.

8. FOREIGN ECONOMIC POLICY REPORT: IN ITS SIXH ANNUAL
REPORT ON SWITZERLAND'S FOREIGN ECONOMIC POLICY, THE
FEDERAL COUNCIL BLAMES RECESSION IN EUROPE, THE U.S.,
AND JAPAN FOR THE DECLINE IN SWISS EXPORTS DURING 1975.
ONLY MACHINERY EXPORTS REGISTERED AN INCREASE OVER 1974,
WHILE ALL OTHER EXPORT SECTORS FELL FROM 7 PERCENT
(TEXTILES AND CLOTHING) TO 23 PERCENT (WATCHES). THE
WORLD-WIDE RECESSION ALSO REDUCED FOREIGN TOURISM IN
SWITZERLAND BY 3.3 PERCENT. THE COUNCIL'S REPORT
STATES THAT SWITZERLAND IS ACTIVELY PARTICIPATING IN
VARIOUS INTERNATIONAL FORUMS, SUCH AS THE IEA, UNCTAD,
MTN, AND THE NORTH-SOUTH DIALOGUE, IN ORDER TO HAVE A
SAY IN THE NEW SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS
NOW BEING FORGED. THE REPORT ASSURED THE SWISS PEOPLE
THAT SWITZERLAND'S INTERESTS WILL BE DEFENDED.
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